

Saturday, August 21, 1982

A Gannett Newspaper Serving the Inland Empire
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25 Cents

Leader deplores Adventist role in real estate collapse

By ART WONG
and JAMES NICKLES

Sun Staff Writers
The world leader of the Seventh-day Adventist Church, after studying a long-awaited report on the "Donald J. Davenport Affair," this week described denomination involvement with the bankrupt Southern California developer as "sad."

Davenport's debts, amassed while building a vast real-estate empire that collapsed last year, included unpaid loans of \$21 million from Seventh-day Adventist church organizations, and many

more millions from individual Adventists.

The Sun reported earlier this summer that many of the former Long Beach surgeon's transactions with Adventist entities and church officials seemed to violate the church's own investment and conflict-of-interest guidelines.

In the Aug. 19 issue of the Adventist Review, church General Conference President Neal C. Wilson wrote that the national law firm of Gibson, Dunn and Crutcher, after a 10-month investigation, had issued a 624-page, four-volume study he referred to as "The Report."

"Having now read The Report, I must acknowledge . . . that the picture is a sad one," Wilson stated, conceding for the first time that improper actions by some church officials may have contributed to "this financial debacle."

Wilson also was pessimistic about the church recovering its loans through the bankruptcy proceedings.

"It would seem . . . from the best information available at this time, that we cannot anticipate any substantial portion of the loans to be recoverable," he said.

Wilson said he will not release the law firm's report because it contained "confidential and privileged legal data."

"There are unscrupulous persons who might try to use information in The Report to the detriment of the church and to the harm and embarrassment of individuals," he wrote.

While disclosing none of the specific findings, Wilson concluded, "Warnings and appeals were ignored and General Conference policies were disregarded."

He deplored the attitude of some church entities and officials who,

for "present gains," "seemed willing to gamble the future well-being and integrity of the church."

Wilson, leader of the 3.5-million-member church, did not rule out taking disciplinary actions in the future against officials who may have been guilty of "misconduct." But for now, he said, the church will impanel a committee to suggest sanctions and corrective measures.

Critics and supporters of the church welcomed Wilson's five-page statement, his longest published report since Davenport filed for bankruptcy in July 1981. Some

found the statement "forthright" and "constructive," and but others described it as evasive double-talk.

Sydney Allen, a San Bernardino Valley College professor and one of the first to write about the Davenport transactions, said: "Elder Wilson is a master of the egg-walk."

Wilson didn't address specific allegations of wrongdoing. But he acknowledged, in broad statements, apparent violations of

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Staff photo by Gall Fisher

Tete-a-tete

Kelly O'Brien of Bloomington, 12, congratulates her Limousin cow, Ferlina, on winning a blue ribbon at the San Bernardino County Fair.

Whopping day closes record week in stocks

New York Times News Service

NEW YORK — Capping a week that saw price increases and volume on the New York Stock Exchange reach their highest levels ever, stocks again soared Friday. The market was buoyed by passage of the \$98.3 billion tax bill and by another cut in interest rates.

The Dow Jones industrial average, which increased its gains throughout most of the session, finished at 869.29, up 30.72 points. For the week, the blue-chip average climbed a record 81.24 points.

The market Friday opened sharply higher at the outset, gaining momentum later in the session when the Chase Manhattan Bank, Chemical Bank and Citibank cut their prime lending rate, which is what banks charge their key corporate clients for loans, from 14 percent to 13 1/4 percent.

Turnover on the Big Board rocketed to 95.8 million shares Friday from 78.3 million the day before. The weekly total was a record 455.1 million shares. This surpassed the former mark of 328.82 million shares for the week ended March 5, 1982, when prices dropped sharply amid concern about the recession.

The number of shares changing hands Friday was the second

highest in exchange history. On Wednesday, a record 132.7 million shares traded. On Tuesday the Dow climbed 38.81 points, the biggest single-day advance ever.

"The raw power of this week's advance intensified today as stepped-up buying from individuals and foreign investors joined the large institutions in further lifting stock prices," commented Robert H. Stovall, director of investment policy of Dean Witter Reynolds Inc.

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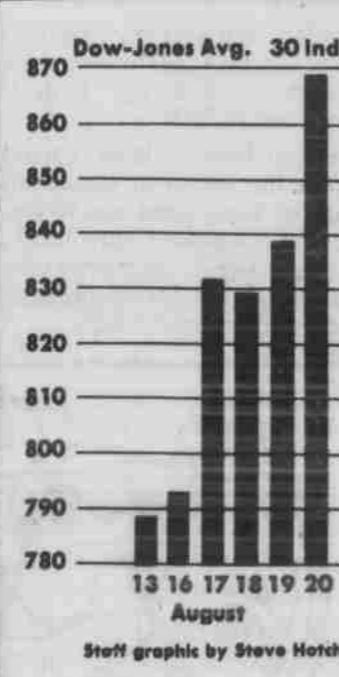
The market's advance Friday was across the board, with winners outscoring losers more than 5 to 1. The biggest gainers were the blue-chips, brokerage firms, technology and transportation issues.

Lower interest rates have been mainly responsible for the market's sharp rise, causing many investors to switch money to stocks from Treasury issues and saving certificates, and indicating that corporate profits will improve as companies cut the cost of borrowing funds.

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Supplemental funds bill sent to Reagan

WASHINGTON (AP) — Amid confusion over the effects of a threatened veto, the Senate gave final congressional approval on Friday to a \$14.2 billion supplemental spending bill that includes money to pay the nation's military personnel through the end of the fiscal year.

On a voice vote, the Senate sent President Reagan the compromise measure, which also includes the \$350 million foreign aid portion of Reagan's Caribbean Basin initiative.

The House easily approved the catch-all measure Wednesday night. It provides additional money for various agencies for the current fiscal year, which ends Sept. 30.

However, White House budget director David Stockman has expressed objections to the bill and said he would recommend a veto because it includes \$918 million more in domestic spending than the president requested.

But Senate Appropriations Committee Chairman Mark Hatfield, R-Ore., criticized the "imperial men-

tality of the Office of Management and Budget" and the "bean counters" there, adding he disagreed "vehemently" with Stockman's veto recommendation.

"This is not a budget-buster," Hatfield said.

Both the House and Senate were adjourning Friday for a 2 1/2-week Labor Day recess, thus a veto technically would leave the military pay accounts and other government programs in the bill without money until Congress returned to pass an appropriation acceptable to the president.

Senate Republican Whip Ted Stevens of Alaska said administration officials had told him that in case of a veto, the administration could transfer other money to cover the Aug. 31 payroll, but not subsequent paydays in September.

However, Stockman said in a letter to several Republican members of Congress, "If there is no bill, the first, and probably most serious problem that will be en-

(Please see Funding, A-5)

Associated Press

French Legionnaires in full battle dress landed at the port of Beirut early today to oversee the withdrawal of the first groups of Palestinian guerrillas. But the disembarkation was marked by confusion and harsh words among the French, Israelis and Lebanese.

The French naval vessel Dives tied up at the port at 5:25 a.m., 8:25 p.m. PDT, and the first legionnaires were on the ground 15 minutes later.

The plan for the French arrival went awry at the start, as the Lebanese army, which was to have taken over control of the port from the Israelis and Palestinians, was nowhere to be seen. The opposing forces still held their positions.

As the French troop ship was tying up at the eastern end of the port, it was met by an Israeli colonel, much to the surprise of the French.

"What are you doing here?" a French colonel asked the Israeli officer. "When are you leaving?"

"We are ready to leave when your soldiers land," the Israeli replied through an interpreter.

Other French units were preparing to move into Israeli positions in other areas of the eastern end of the port, one of the three crossing points along the so-called Green Line frontier between the mostly Christian East and predominantly Moslem West Beirut.

The Israelis had withdrawn from the Beirut port at sundown to clear the way for the deployment of a Lebanese army unit at the harbor before the arrival of the advance

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Taxpayers to feel first nibble at paycheck soon

WASHINGTON (AP) — In less than two weeks, taxpayers will begin feeling the first little nibble of a tax increase that could fuel federal coffers by more than \$100 billion over the next three years, the largest revenue-raising measure in peacetime history.

But most of the bite will start next January.

On Sept. 1, the 5-percent federal tax on airline tickets will rise to 8 percent. Passengers leaving for foreign destinations will pay an additional \$3. Air freight shipments will be taxed at 5 percent, and private pilots will start paying more for fuel.

The aviation taxes will account for only \$2.9 billion of the estimated \$100.4 billion that the tax bill is expected to produce during the three-year budget period that begins Oct. 1. Actually, the Congress put the figure at \$98.3 billion, but that doesn't include a \$2.1 billion boost in taxes on unemployment benefits.

The remainder will come from individuals and businesses as higher taxes on cigarettes and telephone service; reduced deductions for medical expense and casualty losses; tougher laws to stop tax cheating, and reduction or elimination of several corporate tax breaks.

President Reagan called for the tax increase and a package of spending cuts to reduce the federal government's borrowing. The

'No truth' to announcement

British Steel disclaims interest in Kaiser

By ERIN KELLY
Sun Staff Writer

FONTANA — A press spokesman for British Steel Corp. said Friday "there is no truth at all" to the announcement by steelworkers that the British firm has expressed a willingness to help finance an employee buy-out of Kaiser Steel Corp.

The spokesman's statement went even further than remarks published Thursday in which he was quoted as saying that Britain's largest steel company had nothing more than a "passing interest" in the proposed employee takeover.

The spokesman, who refused to give his name, said Friday that British Steel has not even expressed a willingness to explore the possibility of a deal with Kaiser employees.

He did confirm that Kaiser employees had approached British Steel but said the British firm does not have the money to purchase anything.

The spokesman said the British steel industry is experiencing the same kind of depressed

economy as the steel industry in the United States.

Despite these statements, Kaiser employees continued to insist Friday that serious talks between steelworkers and officials of the British firm are taking place.

"There have been talks and they are ongoing," said Jim Dembowski, speaking on behalf of Kaiser ESOP Inc.

Kaiser ESOP is a non-profit organization created last December as a vehicle to attempt an employee buy-out. Its members are steelworkers from the United Steelworkers of America Local 2869.

Dembowski said he could not comment further on Kaiser ESOP's discussions with the government-owned British firm because of the "sensitive nature" of the talks.

"At this point in time, it would be wholly improper to discuss this in the media," he said.

Local 2869 President Frank Anglin announced Aug. 12 that British Steel had "expressed a willingness to assist the employees with financial guarantees to acquire the steel operations and rebuild the finishing end."

In return, British Steel officials asked that the employee-owners consider awarding them a contract to provide steel slabs to Kaiser, Anglin said. In addition, experts from the British firm would be paid by the employee-owners to provide technical assistance, the union president said.

Anglin and other leaders believe an employee takeover is the only way to ensure Kaiser's survival and the future of thousands of steelworkers.

With the help of Kelso and Co., a San Francisco-based investment banking firm specializing in employee stock ownership plans (ESOPs), steelworkers have been seeking funding for their proposed takeover of Kaiser.

William A. Quirk Jr., Kelso's vice president, said Thursday that the British Steel press spokesman may not have complete information about the nature of discussions between Kaiser ESOP and officials of the British firm.

He said discussions between British Steel and persons speaking on behalf of Kaiser ESOP took place as recently as Monday and Tuesday of this week and are scheduled to continue.

(Please see Taxpayers, A-8)